

13 JUL 1974

MEMORANDUM FOR: Director of Logistics

SUBJECT : Annual Report Call

REFERENCE : Multiple Adse Memo dtd 14 Jun 74 fr D/L  
Same Subject

1. This constitutes the Procurement Management Staff, OL, feeder report to the overall Office of Logistics annual report for fiscal year 1974.

SECTION A. GENERAL

2. The Procurement Management Staff, OL (PMS/OL), assists the Director of Logistics in his capacity as the Senior Agency Procurement Officer. The Staff serves as the focal point for developing procurement policies and procedures and coordinating intra-Agency procurement matters. Its primary objective is to ensure that the Agency procurement is conducted in a legal and businesslike manner while serving the mission of the Agency. This requires sound planning, effective policies and procedures, and well trained and qualified procurement personnel.

3. During the reporting period, the use of Procurement Plans by each component relating funds to procurement actions on a time schedule continued to receive major emphasis. Procurement Plans were directed by Mr. W. E. Colby several years ago as a means of ensuring all significant procurement requirements would be committed to the Office of Logistics by the end of the third quarter. Results obtained during FY 1973 improved somewhat over FY 1972 but indicated a yearend surge of procurement actions was still a problem. For FY 1974 a new format was developed for forwarding by the Office of the Comptroller. The results from the use of Procurement Plans for FY 1974 have been mixed. The Plans have permitted Procurement Officers to plan their workloads better and have made operating components more conscious of procurement planning. Communications between Procurement Officers and the offices they support have improved. The Plans have permitted PMS/OL to advise senior Agency management on a quarterly basis of Directorate performance vis-a-vis Directorate Procurement Plan submissions.

SUBJECT: Annual Report Call

4. Experience has shown that the present system for collecting data to gauge performance against the Procurement Plans is keyed to the Directorate level and does not permit analysis at the office level. In those cases where discrepancies exist between the Procurement Plan totals for a Directorate and actual Directorate obligations, considerable difficulty is encountered in pinpointing the problem areas for corrective action. The use of Directorate figures does not identify offsetting individual office differences. Finally, the use of procurement generated statistics results in data which may not be consistent with budgetary statistics. Several alternatives for improving the Procurement Plans for FY 1975 are under consideration, which it is anticipated will aid procurement planning.

5. To meet the increasing number of procurement actions while undergoing personnel reductions, efforts were undertaken this past fiscal year to develop procurement techniques permitting more efficient use of personnel while improving responsiveness and flexibility. Among the techniques explored were the more extensive use of Blanket Purchase Agreements (BPA's), the use of requirements contracts, the consolidation of service contracts and renewal procedures, and the use of direct delivery procedures.

6. Blanket Purchase Agreements provide for oral rather than written orders to be placed with vendors and for consolidated rather than individual billings from vendors. By this means considerable paperwork is eliminated, and the response from vendors is improved. Eleven Blanket Purchase Agreements were initiated in November 1973. Problems were encountered in obtaining payments to vendors but they have been overcome by agreement with the Office of Finance to make payment on the basis of signed delivery tickets attached to consolidated invoices in lieu of receiving reports from the Depot. To date 25 BPA's have been placed in effect, which have expedited customers' receipt of material by an estimated 7 to 10 working days. It is also estimated that the Office of Finance workload has been reduced somewhat since one invoice is reviewed per month instead of multiple invoices for each vendor. A total of 1,970 orders were placed under BPA's during fiscal year 1974 resulting in a considerable savings to the procurement system.

7. The use of direct deliveries in the Washington area has had mixed results thus far. Payment problems have been encountered due to the problem of coordinating the receiving

SUBJECT: Annual Report Call

by Logistics Officers with the Office of Finance. Arrangements were required for Logistics Officers at each location to undertake receiving for other components. These relatively minor problems are being overcome by the increased familiarity of Logistics Officers and Agency contractors with the procedures and the direct delivery points involved.

8. The advisability of the centralized funding and the consolidation of service contracts has been examined during FY 1974. In some cases, such as the maintenance of typewriters, a single contract servicing the entire Agency has been possible. Experience thus far has shown that the consolidation of service contracts may be achieved on a very selective basis. The concept will continue to undergo adoption for both maintenance and service contracts on a case by case basis. The Associate General Counsel has approved the use of a short form renewal of existing service contracts by incorporating the previous terms and conditions in a brief amendment without renegotiating and retyping the basic document. It is estimated that this new procedure will reduce the time required to renew a majority of the 700 service contracts by approximately 50 percent.

9. The use of requirements contracts has been under investigation by the Office of Logistics during the past year. Requirements contracts provide for the purchase of all items in a given commodity group from a particular contractor who has received the award competitively. By this means, the Government stock level can be reduced to operating minimums since the supplying contractor is able to anticipate requirements on the basis of the scope of the contract. Major commodity areas have been identified by the joint efforts of the Supply Division and Procurement Division, OL. The Supply Division is identifying those items in stock which may be reduced to a minimal stock level and placed on a requirements contract basis. It is anticipated that a requirements contract may be initiated in FY 1975 on a trial basis to determine if this concept will aid the procurement process.

10. This fiscal year the CIA Contract Review Board reviewed 42 agenda items, a significant increase from fiscal year 1973 when the Board reviewed 29 items. These agenda items consisted of 39 requests for approval to negotiate procurement proposals and three requests for the approval of overruns on existing contracts. In all, the Board reviewed and approved R&D procurement actions in the amount of [REDACTED]

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SUBJECT: Annual Report Call

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[REDACTED]

The requesting offices for these 39 cases were the Office of Technical Service, 16 actions; the Office of Development and Engineering, 5 actions; the Office of Elint, 11 actions; the Office of Research and Development, 8 actions; the Office of Security, 1 action; and the National Photographic Interpretation Center, 1 action.

[REDACTED]

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SECTION B. PERFORMANCE AGAINST FY 1974 OBJECTIVES

13. PMS/OL undertook a number of efforts during the past fiscal year to accomplish objectives established by the Director of Logistics and within our own staff. Outlined below are the various objectives, measurements used to establish progress, and actual progress achieved.

SUBJECT: Annual Report Call

Objective I

Standardize procedures for the control and disposition of property under Agency contracts.

a. A revision of property disposition procedures under Agency contracts was undertaken and culminated in the publication of the Manual for the Administration of Government Property in the Possession of Agency Contractors issued in October 1973.

b. This manual was the result of recommendations made by Contracting Officers and Supply Division, OL, personnel and suggestions made for improvements in the administration of Government property from the Chief, Audit Staff to the Deputy Director for Science and Technology and the Director of Logistics. The manual was coordinated with technical personnel and offices for each of the Directorates.

c. The new manual contains significant revisions intended to simplify procedures and eliminate those existing procedures which experience had shown to be unnecessary. For example, for the purposes of Government-furnished property control and disposition, the distinction between Government-furnished and contractor-acquired property has been eliminated. The price separation between major and minor inventory items has been standardized at \$200, acquisition cost. This change makes the separation between major and minor inventory consistent with Agency expendability criteria and disposal procedures.

d. The manual was coordinated with the Commercial Systems and Audit Division, OF (CSAD/OF), so that it requires that at least once during the life of the contract or as part of the final audit, CSAD/OF performs a test audit of the contractor's Government property procedures for both Government-furnished and contractor-acquired property under the contract.

e. The revised procedures have eliminated PMS/OL as a reviewing and coordinating office on correspondence between Contracting Officers and the Supply Division, while PMS/OL has retained responsibility for developing property management for the Director of Logistics and for ensuring through periodic surveys that these procedures are being followed. Contracting Officers now

SUBJECT: Annual Report Call

interface with component Logistics Officers rather than with Supply Division, OL, personnel on property disposition and temporary storage matters. The use of commercial facilities for the temporary storage of Government property is now permitted when determined by the Contracting Officer to be in the best interest of the Government. The circulation of lists of excess major inventory has been left to the discretion of the Contracting Officer.

f. In addition to the procedural changes summarized above, PMS/OL issued a Procurement Note reviewing existing policies concerning Government property furnished to contractors. The standards to be applied for determining when Government equipment may be provided under a contract, the Business Justification required, and the circumstances when such actions require the CIA Contract Review Board approval were outlined in the Procurement Note.

g. The objective anticipated but did not attempt to quantify a savings in manpower expended and the amount of administrative paperwork. To date we have experienced no problems associated with the revised property procedures. PMS/OL has received an unqualified favorable response from Contracting and Technical Officers during the course of informal discussions of contract matters. We will continue to monitor property procedures for their effectiveness through periodic surveys of the contracting teams, reports from the Audit Staff and CSAD/OF, and our contacts with the Supply Division, OL, and the technical offices affected.

## Objective II

Develop a training program for procurement personnel tailored to an individual's normal progression process in grade and responsibilities.

a. A review was undertaken of the training records of procurement careerists as the initial step in developing a training program personalized to the individual procurement specialist. Although it was affirmed that most procurement officers have excellent academic backgrounds, the conclusion reached was that more emphasis could be placed in the area of continuing education.

b. Specifically, it was found that the junior procurement officers would benefit from training directed to specific aspects of the procurement process while the

SUBJECT: Annual Report Call

more senior officers would benefit from training intended to improve their management techniques and understanding of missions, policies, and operations of the Agency and the Intelligence Community.

b. A manual was developed providing training plans for each of the positions in which procurement officers normally serve; i.e., Procurement Assistant/Agent, Procurement Negotiator/Administrator, and Procurement Officer/Contracting Officer. The manual was prepared to supplement Agency and Office of Logistics issuances on training matters.

c. The training plan provides a listing of mandatory and desirable courses for each of the three procurement specialists cited above. The sponsoring Government agency, duration of the course, prerequisites, tuition, and location of the course are provided in each category. Government courses were used exclusively in the plan, primarily because most commercial and university courses are not routinely scheduled and are not sufficiently specific for Agency purposes.

d. No specific problems were encountered in developing and implementing the training plan, although procurement officers expressed some reservations as to the possible lack of flexibility to choose courses other than those provided in the plan. This concern has not proven warranted and our experience to date is that the training manual will guide procurement specialists and their supervisors in jointly planning and monitoring a program of continuing education in procurement and Agency-related subjects.

e. The Procurement Panel within the Logistics Career Service Panels requires procurement careerists and their supervisors to jointly develop written, 3-year career plans for each employee. Training plans, including specific courses and tentative schedules from the Training Manual for Procurement Officers, are an integral part of the career plan. The Chairman of the M Panel follows up on the results of the training plans developed by each procurement specialist at the time of the ranking or promotion exercise. The results thus far lead us to conclude that the training plan is a logical and systematic means for obtaining the highest degree of professionalism in the field of procurement and consequently the best performance possible on Agency procurements.

SUBJECT: Annual Report Call

### Objective III

Study the feasibility of and develop a new contract numbering system which can be integrated into the CONIF System and will identify salient facts at a glance; i.e., contracting team, fiscal year issued, etc.

a. A survey was undertaken to determine what numbers had been assigned to the contracts issued over the past 7 years and to review the procedures for contract number assignments for the decentralized contracting teams. The numbering system was planned to take into consideration the past numbers used, sufficient growth for future years, the possibility of the creation of future teams or sectional changes within the Procurement Division, OL, and to provide a decentralized assignment of contract numbers which would be consonant with the CONIF System. It was intended that the new numbering system would reduce the time associated with the logging and assignment of contract numbers by telephone and to some extent reduce the workload associated with the Procurement Division, OL, file room.

b. A numbering plan has been developed and coordinated with the Procurement Division, OL, the contracting teams, and CONIF personnel. Consideration has also been given to using the assignment of contract numbers as an audit check against the input to the CONIF data base to ensure that contract actions are recorded into the system. However, the numbering system has not been implemented for the beginning of fiscal year 1975 and will be held in abeyance until the effect of the Document Control Number (DCN), the Logistics Control Number (LCN), the Procurement Instrument Number (PIN), and the Procurement Item Identification Number (PIIN) associated with the Inventory Control System (ICS), now being implemented, can be determined. Until experience is gained with the changes taking place throughout the Logistics system, it was considered advisable to postpone the implementation of a new numbering system.

### Objective IV

Conduct a management survey of the [REDACTED] Procurement Office, OL.

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a. The survey of the [REDACTED] Procurement Office, OL [REDACTED], was a continuation of the periodic surveys undertaken in FY 1973 by PMS/OL of contracting teams.

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SUBJECT: Annual Report Call

Interviews were conducted with project officers and managers to obtain their thoughts with respect to contracting procedures, the quality of services provided by the [REDACTED] 25X1A and to identify areas of concern or problems.

b. Interviews were conducted with the Contracting Team itself, including the Contracting Officer, Negotiator, Auditor, Security Officer, and clerical personnel. An onsite review was made of internal contract documentation, files, directives, and procedures.

c. No major problems were uncovered as a result of the survey. The workload of contract negotiations and administrative actions was reviewed for each team member and it was determined that the contract actions are evenly distributed among personnel for the maximum effectiveness. The Office has significantly reduced the number of completed contracts awaiting settlement, thus reducing administrative costs for both the Government and contractors. The procedures contained in the revised Manual for the Administration of Government Property have been implemented for all west coast contractors without difficulty.

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d. The [REDACTED] provides a high degree of responsiveness to the offices supported. Technical and management personnel interviewed expressed satisfaction with the contractual support received. Communications with technical offices, PMS/OL, and the CIA Contract Review Board are considered excellent for both large and small procurement actions. We propose to continue monitoring the activities of the [REDACTED], so that it will continue to serve management in a responsive manner.

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#### SECTION C. OTHER FY 1974 ACTIVITIES

14. PMS/OL undertook a number of other activities during the past fiscal year, several of which may be emphasized. The Report of the Commission on Government Procurement which was issued last year is undergoing comprehensive study by the Executive Branch to implement the 149 recommendations of the Commission for improving Government procurement. Lead agencies and task groups appointed by the Office of Management and Budget are developing official Executive Branch positions for implementing these recommendations. The Chief, PMS/OL, is the principal liaison officer to the Procurement Policy Group in the General Services Administration, which has been charged with the implementation of the task groups' official positions within the Executive Branch agencies.

SUBJECT: Annual Report Call

15. PMS/OL has undertaken the review and coordination of official Agency responses on approximately one-half of the recommendations of the COGP. Task Groups composed of lead and participating agency representatives have developed Executive Branch positions for adoption in the form of revisions to existing regulations and/or a call for new legislation. The impact of the COGP is being experienced in bills presently in Congress to effect such significant steps as a uniform procurement law for all Federal agencies, raising the limit for simplified procurement procedures from \$2,500 to \$10,000, and creating an Office of Federal Procurement Policy. The impact of the COGP recommendations and their implementation on Agency procurement and management policies should be considerable. A significant effort is required in developing official Agency responses and coordinating them with procurement and technical offices as well as Agency management. It is anticipated that this effort will continue through fiscal year 1975.

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17. This past year, at the request of GSA officials, discussions were held and a formal delegation of procurement authority was obtained from GSA with respect to the lease, purchase, and/or maintenance of ADPE for processing, communications, or intelligence operations by CIA, or any activity under its operation or technical control. The statutory authority for ADPE procurement resides in GSA on a Government-wide basis.

18. Because of the complexities associated with this delegation, GSA guidelines, and the applicable Federal regulations, the responsibility for all ADPE procurements was assigned to an Automatic Data Processing and Equipment Section within the Procurement Division, OL.

19. The delegation of authority from GSA provides for an annual meeting in April between representatives of the Agency and GSA to review past and proposed Agency ADPE procurement actions and to review Agency procurement procedures for ADPE. A review has been made by GSA for fiscal year 1974 which has indicated the Agency's procurement practices in this area conform to the GSA and Federal regulations applicable.

SUBJECT: Annual Report Call

20. In conjunction with the development of a training plan and the issuance of the Training Manual for Procurement Officers, each employee through GS-14 and his supervisor jointly prepared a 3-year career plan. The career plans submitted contain a statement of the employee's career goals, training needs, training plans, and any appropriate comments by the employee. The employee and his supervisor mutually discuss the employee's potential for meeting those objectives contemplated for inclusion in the plan; such as, future job assignments desired, rotational or developmental job assignments desired outside of procurement, further knowledge and skills desired in the area of procurement, and training plans developed from the Training Manual for Procurement Officers. The plans are being used by the Logistics Career Service Panel for Procurement Personnel as one source of information on which recommendations regarding assignments, training, and career development will be based. If successful, the use of career plans will be continued with resubmissions every 3 years or whenever significant changes occur.

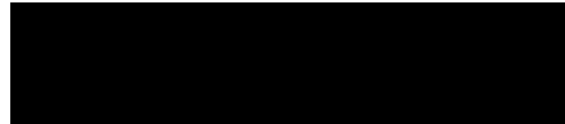
21. During the past year efforts were made throughout the Government to place more emphasis on Equal Employment Opportunity enforcement in procurements. The Office of Federal Contract Compliance underwent reorganization and revised some of its orders on compliance procedures. Although our Agency is not designated as a "compliance agency" under the regulations of the Office of Federal Contract Compliance, it is primarily responsible for obtaining compliance with the rules, regulations, and orders of the Department of Labor.

22. The Office of Management and Budget representative for the Agency met with PMS/OL for a review of Equal Employment Opportunity procedures for Agency procurements. This meeting resulted in the issuance of a Procurement Note reaffirming the procedures to be followed by Agency contracting personnel for all procurements and the initiation of contacts with the Department of Labor and the Department of Defense to ensure that the Agency listing of debarred contractors was current.

23. PMS/OL completed the implementation of the new Contract Information System, CONIF II using GIM software. This produced tangible benefits; such as, a shorter response time on queries, better defined reports, the ability to modify reports to meet ad hoc requirements, expanded query capability, and a more dependable data base. CONIF has gone through a second upgrading in terms of software so that the data base has been converted to

SUBJECT: Annual Report Call

operate under GIM II software. GIM II software contains enhancements not available under GIM I and should be responsive in meeting a wide variety of ad hoc requirements levied against CONIF. An August 1974 implementation of the upgraded system is planned.



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Acting Chief  
Procurement Management Staff, OL

LOGISTICS SERVICES DIVISION ANNUAL REPORT - FY 1974

Section A - General

The Logistics Services Division (LSD) is responsible for general logistical support in the Metropolitan Washington area. As such, it provides transportation, vehicle maintenance, postal, courier, dining, architectural, space maintenance and renovation, acquisition and supply, moving, classified waste destruction, pneumatic tube, and other similar services required in support of Headquarters facilities and operations. Because of the nature of these services, LSD is normally called upon to be responsive to the requirements of others. However, during the past year, factors such as the energy crisis, resource shortages, and the implementation of Standard Level Users Charge procedures by the General Services Administration (GSA) have all combined to necessitate that LSD take a more aggressive role in determining the type and scope of services which can and should be provided. One indication of this changing role is the fact that while our FY 1974 objectives were taken from and responsive to DDM&S objectives, our FY 1975 objectives originated within the Division in response to external factors such as those mentioned earlier. These factors and our response to them are more fully discussed in Sections C and D.

Section B - Performance Against FY 1974 Objectives

During FY 1974, LSD successfully pursued two major objectives. The first involved a review of all activities of the Division to assess their relevancy to current Agency needs, and the second required the development of a system for the identification and allocation of all LSD operating cost to those Agency components supported by LSD. Both objectives were in response to similar DDM&S objectives.

a. Regarding the first objective, a detailed review of each function performed within the Division was made, the benefits and consequences of its deletion were determined, and action was taken, where appropriate, to bring these functions into line with current needs. Although most functions were found to be responsive to today's operating requirements, there were several areas in which new approaches were considered and, with varying degrees of success, applied. These are summarized below:

Logistics Services Division Annual Report - FY 1974

(1) Consideration was given to contracting out the Executive Dining Room service to a commercial firm in an effort to effect cost savings. However, since this dining area is extensively used for operational entertaining requiring a secure environment, it was decided that the Agency must continue to maintain direct control of the area. Hence, the service was not contracted out. Notwithstanding this decision, other approaches were successfully applied to effect cost savings. Specifically, a computerized billing system was installed and membership fees and food prices were raised to put the service on a more self-sustaining basis.

(2) In reviewing our courier operations, we found that certain changes in the level and scope of service could be made without adversely affecting Agency operations and that savings could be realized by the consolidation of our efforts with those of other Agency courier services. Regarding the level of service provided, we decreased the number of deliveries within the Headquarters Building from 4 to 3 times daily and eliminated certain low usage runs thereby eliminating seven positions from our courier force. Regarding the consolidation of our activities with those of other courier services, the subject was brought before the Management Committee, and a decision was made to examine the feasibility of consolidating all courier services under this Division. A representative of the Division was made chairman of an inter-Directorate group to prepare the feasibility study which is now complete and is being submitted to the Management Committee for approval.

(3) As part of our functional review, consideration was also given to eliminating the Operational Supply Room which provided for immediate issue, cameras, film, tape recorders, and other similar equipment.

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Logistics Services Division Annual Report - FY 1974

Study showed that because of the low volume of issues from this area, it would be possible for component Logistics Officers to stock and issue the items being provided and to do so with even greater responsiveness. This was done and, as a result, it was possible to eliminate one further position from the Division.

(4) Finally, consideration was given during the year to contracting out the Agency shuttle bus service thereby effecting cost savings. Bids for this service were received from commercial bus companies, and although some cost savings were projected, it was decided that the savings were too small to justify the loss of Agency control which would result. It was therefore decided to continue with the present shuttle bus operation.

b. Regarding our second objective, we did develop a system whereby Division resources expended can be accounted for and allocated to the office requesting these services. Without going into detail here, we collected costs on each of our major functions and developed cost accounting techniques whereby we can allocate these costs to the components requesting such services. When spread over the large number of components within the Agency, most of our costs are rather small. However, certain functions do involve significant costs to individual components. Specifically, the costs of major space renovations, expendable supplies, and mail services are all significant, and it is these costs which we would propose to allocate to the individual components if in fact it is decided that all Agency offices will function on a cost reimbursable basis.

Section C - Other FY 1974 Activities

In addition to the activities described above which were an outgrowth of our internal functional analysis and cost accounting efforts, several external factors, some of which have significant implications for the future, affected Division operations. These factors are described in the following paragraphs.

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Logistics Services Division Annual Report - FY 1974

a. The construction of the garage facility within the Headquarters compound was completed. Not only do we anticipate that the location of the garage closer to the center of our activities will result in a saving in operating costs, but just as importantly, it will permit greater flexibility in the utilization of personnel and equipment and improve responsiveness to requirements. As part of our continued assessment of this activity, efforts were also made throughout the year to reduce overtime by drivers and to eliminate coverage on weekends and other periods of low activity.

b. Preparations were made during the year to prepare for the implementation of GSA Standard Level Users Charge (SLUC) procedures on 1 July 1974. The cost implications of these procedures are well known to management but they will also require extensive changes in our internal procedures for dealing with GSA. Not only will our drawings and specifications for space modifications and renovations have to be more complete but also different administrative procedures will have to be followed in processing requirements to GSA. Moreover, since some of the money which will be made available to GSA under SLUC will be used for items which in the past might have been funded by the Agency, our personnel will have to be more discriminating in the items which we fund. It will be necessary to develop, in coordination with GSA, long term capital improvement plans and budgets clearly delineating the respective areas of responsibility of our two agencies. Finally, in order to support our cost inputs to SLUC, we will have to revise our Computer Run on Agency Metropolitan Space (CRAMS) to conform to the GSA space definitions on which we are billed under SLUC.

c. Another factor which affected our activities during the year was the advent of the energy and resource crises. Regarding the energy crisis, at the behest of GSA, preferential treatment was given to carpools to save fuel, and lighting levels were decreased and temperatures increased within our buildings to save electrical power. For our part,

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Logistics Services Division Annual Report - FY 1974

we have, through our motor pool operation, attempted to encourage the use of shuttle service by increasing the frequency of service and, through a reciprocal agreement with the Department of Defense, increasing the scope of our service. In the area of resource conservation, we initiated a continuing effort to identify items within our building supply system which can either be deleted or replaced with items of lower cost.

d. A final area in which we encountered new situations was that of office furnishings. Our intent during the year was to standardize and upgrade the furniture while concurrently reducing costs. At the executive level, standardization of furniture was achieved through the updating of the "Executive Furnishings and Guidelines" book to be issued to all support officers. Cost savings were achieved by going to carpet squares rather than rolled carpeting as the Agency standard and by initiating a program for the rehabilitation of Class A furniture. At the general office level, the GSA-sponsored Office Excellence program was investigated as a means of improving the appearance of our furnishings (through colored metal furniture, panels, and graphics). As a result of this investigation, Office Excellence is being tried on a trial basis by one component of the Agency. If successful, we may apply it elsewhere.

Section D - Recommendations

1. We have only one specific recommendation regarding the FY 1974 objectives: We do not feel that the benefits to be gained by the allocation of LSD operating costs to components receiving service from LSD are equal to the effort involved in the cost accounting process. Rather, because of the general nature of the support we provide, we believe that these services are best budgeted for and controlled centrally as is currently the case.

2. Looking forward to FY 1975, we have tailored our new objectives to meet the challenges mentioned earlier in the areas of energy conservation, resource shortages, SLUC, and continuing personnel and budget reductions. Moreover, in an

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Logistics Services Division Annual Report - FY 1974

effort to become more responsive to the needs of our customers, we are initiating quarterly meetings with logistics and administrative personnel in the Metropolitan Washington area to evaluate and exchange views regarding service and to communicate on problems, developments, and new concepts related to LSD responsibilities. From these meetings, new challenges and new objectives will undoubtedly arise.

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